

## **America's Need for New Refineries**

### **Lack of U.S. refineries drives up costs at the pump.**

No new refinery has been constructed in the United States since 1976. There are 148 operating refineries in the United States, down from 324 in 1981. For the first seven months of 2005, total capacity at operating refineries was 17 million barrels per day, while total United States demand averages nearly 21 million barrels per day. This growing gap is met by an increasing amount of imports of refined products from foreign sources. Refined petroleum product imports are expected to grow from 7.9 percent to 10.7 percent of total refined product by 2025.

### **U.S. refineries are too concentrated in Gulf States vulnerable to natural disasters.**

About 47 percent of our refining capacity is in the Gulf States and 28 percent of our oil production is concentrated offshore in the Gulf of Mexico. Any change can cause supply constraints and price spikes. Refining utilization rates are currently at 95 percent of operating capacity and at peak times of the year, even higher. By comparison, other industries average an 82 percent operating capacity.

### **Hurricanes Katrina and Rita brought oil production and refining in the Gulf to a stand still, driving up prices**

- ✓ Within a week of Hurricane Katrina's landfall, the national average retail price for motor vehicle gasoline rose by 46 cents to \$3.069 per gallon. Prices of other refined fuels also rose quickly in response to the hurricane.
- ✓ In the immediate aftermath of Katrina alone, U.S. refining capacity was reduced by more than 2 million barrels per day.
- ✓ According to economic analysis, households are conservatively estimated to spend an average of \$1,948 this year on gasoline, up 45 percent from three years ago and households with incomes under \$15,000 (20 percent of all households) this year will spend, on average, more than 10 percent of their income just on gasoline.
- ✓ Supply constraints have an even bigger impact on rural Americans. It is estimated that rural Americans will spend \$2,087 on gasoline. Rural Americans are paying an estimated 22 percent more for gasoline than their urban counterparts because they must drive longer distances.

### **Refineries aren't being built due, in part, to a permitting process that is overly cumbersome and capital intensive.**

- ✓ Refiners are subject to significant environmental and other regulations and face several new Clean Air Act requirements over the next decade. New Clean Air Act requirements will benefit the environment but will also require substantial capital investment and additional government permits.
- ✓ There is currently a lack of coordination in permitting requirements and other regulations affecting refineries at federal, state and local levels. There is no consistent national permitting program for refineries, compared with the Federal Energy Regulatory Commission's (FERC) lead agency role over interstate natural gas pipelines, liquefied natural gas and hydroelectric power and the Nuclear Regulatory Commission's role over nuclear plants. More regulatory certainty and coordination is needed for refinery owners to stimulate investment in increased refinery capacity.

### **Our national security is threatened by a growing reliance on foreign sources of refined petroleum products.** It serves the national interest to increase refinery capacity for gasoline,

heating oil, diesel fuel and jet fuel wherever located within the United States, to bring more supply to the markets for use by the American people.